THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M.V. CHANDRASHEKHAR MURTHY): (a) to (d) The Enforcement Directorate has detected some cases involving alleged misuse of non-resident external accounts for depositing foreign exchange acquired/ purchased in India and for issue of cheques/drafts to Indian residents purportedly as gifts. The Directorate has been keeping a constant vigil on such transactions. Appropriate action as envisaged under the law is taken against the defaulters as and when any such information is received.

Loan by Nationalised Bank to East West Airlines

1196. SHRI CHIMANBHAI MEHTA:
SHRI ANANTRAY DEV-SHANKER DAVE:
SHRI G.G. SWELL:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that East West Airlines got a huge loan amounting approximately to Rs. 40 crores from a nationalised bank?

(b) if so, who recommended in favour of sanctioning the loans and what was the basis thereof;

(c) whether the nationalised bank has advanced similar loans to any other private airlines also;

(d) if so, the details thereof;

(e) whether the loan given to the East West Airlines has been recovered; and

(f) who are the front and real owners of East West Airlines?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (DR. DEBIPROSAD PAL): (a) to (f) The information is being collected and will be laid on the Table of the House.

High Interest Rate on Term Loans

1197. SHRI YERRA NARAYANA SWAMY: Will the Minister of FINANCE be pleased to state:

(a) whether financial institutions are likely to increase interest rates on term loans by one percent in the near future;

(b) if so, the reasns therefor;

(c) what would be the impact of high interest term loans in industries;

(d) whether it is a fact that steep administrative costs in financial institutions are a major cause for high interest rates;

(e) in what way Government propose to monitor the expenditure of financial institutions; and

(f) the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (DR. DEBI-PROSAD PAL): (a) and (b) The Industrial Development Bank of India (IDBI) has reported that currently, the minimum term lending rate is 16% per annum (excluding interest tax) which was fixed in November 1995. The actual interest rate on a specific loan is charged within a band of four percentage points and depends on the credit worthiness of the borrower and risk perception about the project.

(c) IDBI has reported that the interest rates charged by all India Financial In stitutions (AIFls) are quite competitive in comparison with market rates of interest from alternative sources. The level of interest rate is influenced by rising de mand for credit in the face of shortage of liquidity in the market. The debt servic ing capacity of industrial projects assisted by AIFIs is assessed prior to according approval to the project proposals.

(d) IDBI has reported that the ad ministrative costs in the case of AIFIs have been quite low. In the case of IDBI, such costs formed 1.5% of the total net income in 1994-95.